

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

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SS-15 STR-01 CEA-01 L-02 H-01 PA-01 PRS-01 USIA-06

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R 271300Z DEC 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5961

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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PASS COMMERCE

E. O. 11652: N/A

TAGS: EINV, IN

SUBJ: POSSIBLE NATIONALIZATION OF FOREIGN DRUG FIRMS?

1. THE INDIAN PRESS HAS BEEN FEATURING A SPATE OF REPORTS AND EDITORIALS DISCUSSING THE POSSIBILITY OF NATIONALIZING ALL THE FOREIGN DRUG FIRMS. THE PROPOSAL TO DO SO FIRST RECEIVED PROMINENT ATTENTION ON DEC. 21 AND ADDED MOMENTUM WAS NOTICED FOLLOWING A NATIONAL CONVENTION OF SCIENTISTS AND MEDICAL EXPERTS HELD IN NEW DELHI ON DEC. 22. THE CONVENTION RECOMMENDED THE IMMEDIATE NATIONALIZATION OF ALL PHARMACEUTICAL AND DRUG VISITS WITH FOREIGN EQUITY CAPITAL PARTICIPATION.

2. ACCORDING
TO PRESS REPORTS THE CONVENTION ORGANIZED BY THREE
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LEFTIST INSTITUTIONS, INAUGURATED BY THE GOI HEALTH MINISTER,

DR. KARAN SINGH. OTHER PROMINENT GOI SPEAKERS WERE K. V. RAGHUNATHA REDDY (LAGOR MINISTER), K. R. GANESH (MINISTER OF STATE FOR PETROLEUM AND CHEMICALS), AND V. C. SHUKLA (MINISTER OF STATE FOR PLANNING). SOME SPEAKERS ALSO DEMANDED THE ABOLITION OF BRAND NAMES WHILE OTHERS DEMANDED THAT THE IMPORT OF ALL DRUGS AND INTERMEDIATES SHOULD BE CANALIZED THROUGH THE STATE TRADING CORPORATION.

3. K. V. RAGHUNATHA REDDY WAS QUOTED AS CALLING FOR THE DELINKING OF THE MULTINATIONAL CORPORATIONS IN THE INDIAN PHARMACEUTICAL INDUSTRY BY DOING AWAY WITH THE LARGE NUMBER OF AGREEMENTS FOR COLLABORATIONS. (THERE ARE 71 LARGE AND SMALL DRUG AND PHARMACEUTICAL CONCERNS WHICH HAVE FOREIGN EQUITY PARTICIPATION.) THE PRIMARY CRITICISM WAS BASED UPON THE ALLEGEDLY EXCESSIVE PROFITS OF BETWEEN 700 TO 1200 PERCENT.

4. THE CONVENTION CONCLUDED BY CREATING THREE COMMISSIONS TO INVESTIGATE AND REPORT ON THE FOLLOWING SUBJECTS: THE IMPORT OF DRUGS; THE PROBLEM OF BRAND NAMES; THE DEVELOPMENT OF THE INDUSTRY IN THE PUBLIC SECTOR; AND THE NEED FOR QUALITY CONTROL IN DRUGS TO ELIMINATE THE MENACE OF ADULTERATION. (ALTHOUGH SOME LOCAL FIRMS HAVE BEEN ACCUSED OF ADULTERATION, NO US OR OTHER FOREIGN DRUGY COMPANY HAS BEEN SO ACCUSED.)

5. COMMENT: THE EMBASSY AND CONSULATE GENERAL BOMBAY ARE CONTACTING OFFICIALS OF LEADING PHARMACEUTICAL FIRMS TO OBTAIN THEIR REACTIONS. BOMBAY CONTACTED V. N. SHAH, SECRETARY OF PHARMACEUTICAL PRODUCERS OF INDIA WHO INFORMED THE CONSULATE THAT HE PERSONALLY BELIEVES THERE IS NO POSSIBILITY OF ANY NATIONALIZATION OF THE PHARMACEUTICAL INDUSTRY OR OF THE FOREIGN FIRMS IN THAT INDUSTRY. SHAH BELIEVES THE AGITATION FOR NATIONALIZATION COMES FROM A RADICAL SECTION OF THE CONGRESS PARTY. IN HIS OPINION THE AGITATION DOES NOT APPEAR TO REPRESENT THE VIEWS OF THE PARTY IN GENERAL OR OF GOVERNMENT MINISTERS. SHAH ALSO CONTENTS THAT THE GOI HAS NEITHER THE EXPERTISE NOR THE RESOURCES TO RUN THE PHARMACEUTICAL INDUSTRY, THE PROFITS OF WHICH, HE SAYS, ARE ALREADY SEVERELY CONTROLLED.

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6. THE EMBASSY IS NOT PREPARED TO ACCEPT SHAH'S OPTIMISTIC VIEWS WITHOUT FURTHER INQUIRIES AND OTHER INPUTS FROM COMPANY OFFICIALS. WE HOPE HE IS RIGHT BUT WILL RESERVE JUDGMENT. IN THE INTERIM WE ARE SENDING COPIES OF THE PRESS REPORTS VIA TRANSMITTAL SLIPS TO STATE AND COMMERCE.

MOYNIHAN

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